



Summary of Consolidated Financial Results for the 3rd Quarter FY2007

February 4, 2008

Company name: Kanematsu Corporation

Stock Exchange listing: First Sections of the Tokyo Stock Exchange
and the Osaka Securities Exchange
URL <http://www.kanematsu.co.jp>

Stock code: 8020

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(Figures of less than one million are rounded down)

1. Consolidated results for the third quarter of the fiscal year ending March 31, 2008 (April 1, 2007 to December 31, 2007)

(1) Consolidated business results (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter to December, 2007	925,052	(1.9)	18,354	8.2	15,560	10.5	16,627	93.3
Third quarter to December, 2006	943,082	22.6	16,964	46.4	14,086	45.0	8,601	-
Financial year to March 2007	1,281,331	-	21,713	-	17,255	-	7,507	-

(Note) Net sales for the third quarter of the term ended March 31, 2007 have been revised from ¥951,444 million to ¥943,082 million as announced in the press release dated May 18, 2007.

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Third quarter to December, 2007	39.73	-
Third quarter to December, 2006	20.55	-
Financial year to March 2007	17.94	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third quarter to December, 2007	517,006	64,390	9.2	114.28
Third quarter to December, 2006	566,716	49,529	6.1	82.03
Financial year to March 2007	563,176	48,767	5.9	78.75

2. Dividends

	Dividends per share		
	First half	Second half	Fiscal
(Record date)	Yen	Yen	Yen
Fiscal year ended March 2007	-	-	0.00
Fiscal year ending March 2008	-	(To be determined)	(To be determined)
Fiscal year ending March 2008(Forecasts)	(To be determined)		

3. Forecasts for consolidated results ending March 31, 2008 (April 1, 2007 - March 31, 2008) (Reference)

Forecasts for consolidated full-year results are shown in the table below. Of the numbers announced on November 2, 2007, net sales have been revised from ¥16,000 million to ¥18,000 million.

(%: Changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,300,000	1.5	23,500	8.2	19,000	10.1	18,000	139.8	43.01

4. Other information

- (1) Important change in subsidiaries during the term (Change in scope of consolidation): None
 (2) Application of concise accounting methods: None
 (3) Change in accounting procedures from those for the last consolidated fiscal year: Yes

(Note) For details, please see the statement under the heading of “4. Others” of the section “Qualitative Information, Financial Statements, etc.” on page 4.

Explanation about the proper use of results forecasts, and additional information

The above business forecasts are made based on information available at the time of the announcement of this document and assumptions related to uncertain factors that may affect the Company's future performance. Please note that actual results may differ materially from the forecasts due to future changes in conditions. For further information about forecasts, please see the description under the heading of “3. Qualitative information on forecasts for consolidated results” of the section “Qualitative Information, Financial Statements, Etc.” on page 3.

[Qualitative Information, Financial Statements, Etc.]

1. Qualitative information on consolidated operating results

During the third quarter under review, concerns emerged about the influence of the growing subprime mortgage crisis on the real U.S. economy. In contrast, the BRICs economies - and especially China, which continued to post double-digit growth ahead of the Beijing Olympics and World Expo - increased their presence with their robust performance. Overall, the global economy was solid.

In Japan, a fall in personal spending resulting from concern over rising prices attributable to surging oil and grain costs was feared. However, the slowdown was moderate, partly because of firm corporate earnings associated with continued strength in exports to Asia.

In this environment, net sales in the third quarter fell ¥18.0 billion year on year, to ¥925.0 billion, as factors such as a contraction in the former Textile segment with the change of Kanematsu Textile Corporation to an equity method affiliate offset the expansion of business in the core IT, Foodstuffs, and Iron, Steel & Plant divisions. Gross trading profit consequently declined ¥7.9 billion. However, operating income increased ¥1.4 billion year on year, to ¥18.4 billion, driven by the Foodstuffs Division, where the feed and meat & livestock businesses performed well. Ordinary income improved ¥1.5 billion, to ¥15.6 billion. As a result of continued revisions to investments and loans as well as to fixed assets in domestic and overseas operations, extraordinary losses of ¥3.1 billion were recorded, while extraordinary gains of ¥14.8 billion were posted with the disposal of LNG project rights and aircraft lease assets. Consequently, income before income taxes and minority interests was ¥27.2 billion. After the reduction of income taxes and minority interests in consolidated subsidiaries, net income rose ¥8.0 billion from the year-ago period, to ¥16.6 billion.

2. Qualitative information on consolidated financial position

Total assets at the end of the third quarter under review were ¥517.0 billion. Current assets and fixed assets fell ¥19.7 billion and ¥26.5 billion, respectively, reflecting the exclusion of a textiles subsidiary from the scope of consolidation and the disposal of investments in securities and aircraft lease assets. Interest-bearing debt decreased ¥34.5 billion from the end of the previous fiscal year, to ¥236.2 billion primarily because of repayments of short-term borrowings. Net interest-bearing debt, which is interest-bearing debt less cash and bank deposits, decreased ¥17.5 billion from the end of the previous term, to ¥187.4 billion. Net assets rose ¥15.6 billion from the end of the previous term, to ¥64.4 billion, a result attributable to the rise in net income in the third quarter under review. As a result, the equity ratio increased from 5.9% to 9.2%. The net debt-equity ratio (net DER) improved significantly, from 6.2 times to 3.9 times.

3. Qualitative information on the forecast consolidated results

Since there is concern over slowdowns in the real economies of both the United States and the world, and turmoil in the stock and exchange markets is anticipated, economic uncertainty is increasing compared with the year-ago period.

However, we are not changing forecast net sales, operating income, and ordinary income for the fiscal year ending March 31, 2008 (as of November 2, 2007) and we are revising the net income forecast upward, from ¥16.0 billion to ¥18.0 billion, based on favorable ordinary income and net income to the third quarter under review.

The above forecasts are based on information available as of the date of the release of the document and assumptions relating to uncertain factors that might affect future results.

4. Other information

(1) Important change in subsidiaries during the term (Change in scope of consolidation)

Not applicable.

(2) Adoption of simplified accounting policies

Not applicable.

(3) Change in accounting methods from the previous consolidated fiscal year

(Posting reserve for directors' retirement benefits)

Directors' retirement benefits were formerly recorded as expenses at the time of payment following a resolution of a shareholders' meeting. However, starting the current consolidated fiscal year, the Company adopts the Auditing Treatment Relating to Reserve Defined under the Special Taxation Measures Law, Reserve Defined under Special Laws, and Reserve for Director and Corporate Auditor Retirement Benefits (report no. 42 of the Audit and Assurance Committee of the Japanese Institute of Certified Public Accountants), and records an amount that can be reasonably estimated based on internal regulations as a reserve.

An amount for the previous fiscal year of ¥440 million, which should be recorded at the beginning of the current fiscal year, was recorded as an extraordinary loss for the current fiscal year.

(Change in accounting policy in relation to depreciation)

Starting the current fiscal year, certain consolidated subsidiaries depreciate the tangible fixed assets acquired after April 1, 2007 under the revised Corporate Tax Law in association with the revision of the Corporate Tax Law. The effect of the change on earnings in the current fiscal year is minor.

(Additional information)

In association with the revision of the Corporate Tax Law, certain consolidated subsidiaries depreciate the difference between 5% of the acquisition price and memorandum price of the tangible fixed asset acquired before March 31, 2007 equally in five years from the fiscal year following the year in which the tangible fixed asset is depreciated to 5% of the acquisition price, in accordance with the depreciation method under the Corporate Tax Law before the revision. Depreciation is recorded accordingly. The effect of the depreciation on earnings in the current fiscal year is small.

(Presentation of negotiable deposits)

Starting from the end of the interim period of the current fiscal year, negotiable deposits are transferred from cash and bank deposits to short-term investments in association with the introduction of the Financial Products and Trading Act.

(Segmentation in industry segment information)

Kanematsu Textile Corporation, formerly an important consolidated subsidiary of the Company, became an equity method affiliate in the current fiscal year after the Company transferred part of its holdings on May 31, 2007, and as a consequence, the importance of the Textiles segment was reduced. Hence, beginning the current fiscal year, the Company has abolished the Textiles segment and includes the results that would have been included in the Textiles segment in the Others segment.

(4) The results for the third quarter under review and the previous third quarter have not undergone an accounting audit by an audit corporation.

5. Quarterly Consolidated Financial Statements and Others

(1) Quarterly Consolidated Balance Sheets

(Million yen)

Category	Third quarter 2007 (December 31, 2007)	Fiscal 2006 (March 31, 2007)	Increase/ Decrease	Category	Third quarter 2007 (December 31, 2007)	Fiscal 2006 (March 31, 2007)	Increase/ Decrease
Assets				Liabilities			
I. Current assets				I. Current liabilities			
1. Cash and bank deposits	48,788	65,778	(16,990)	1. Notes and accounts payable	158,652	176,658	(18,006)
2. Notes and accounts receivable	210,906	205,639	5,267	2. Short-term borrowings	109,651	143,527	(33,876)
3. Short-term investments	3,500	---	3,500	3. Accrued income taxes	1,891	3,424	(1,533)
4. Inventories	72,430	84,942	(12,512)	4. Deferred tax liabilities	---	0	(0)
5. Short-term loans receivable	6,193	5,145	1,048	5. Other	40,724	43,882	(3,158)
6. Deferred tax assets	3,131	4,655	(1,524)	Total current liabilities	310,919	367,493	(56,574)
7. Other	42,985	41,709	1,276	II. Long-term liabilities			
Allowance for doubtful accounts	(1,056)	(1,280)	224	1. Long-term borrowings	126,563	127,151	(588)
Total current assets	386,879	406,590	(19,711)	2. Deferred tax liabilities	63	90	(27)
II. Fixed assets				3. Accrued severance indemnities	4,732	5,441	(709)
1. Tangible fixed assets	38,832	40,601	(1,769)	4. Allowance for loss on guarantees	82	4,189	(4,107)
2. Intangible fixed assets	3,369	3,549	(180)	5. Allowance for loss on lawsuits	553	532	20
3. Investments and other assets				6. Reserve for directors' retirement benefits	634	---	634
(1) Investments in securities	52,894	71,616	(18,722)	7. Other	9,065	9,510	(445)
(2) Long-term loans receivable	10,924	14,231	(3,307)	Total long-term liabilities	141,696	146,916	(5,220)
(3) Doubtful accounts	22,404	23,809	(1,405)	Total liabilities	452,615	514,409	(61,794)
(4) Deferred tax assets	16,179	19,595	(3,416)	Net assets			
(5) Other	14,052	12,402	1,650	I. Shareholder's equity			
Allowance for doubtful accounts	(28,529)	(29,221)	692	1. Capital stock	27,781	27,781	---
Total investments and other assets	87,925	112,435	(24,510)	2. Capital surplus	27,646	27,646	(0)
Total fixed assets	130,127	156,586	(26,459)	3. Retained earnings	7,133	(9,496)	16,629
				4. Treasury stock	(647)	(627)	(20)
				Total shareholder's equity	61,913	45,303	16,610
				II. Valuation and translation adjustments			
				1. Unrealized loss on available for sale securities	2,645	3,853	(1,208)
				2. Deferred gain/loss on hedging	292	112	180
				3. Land revaluation reserves	58	58	(0)
				4. Translation adjustments	(17,092)	(16,368)	(724)
				Total valuation and translation adjustments	(14,095)	(12,344)	(1,751)
				III. Minority interests	16,572	15,807	765
				Total net assets	64,390	48,767	15,623
Total assets	517,006	563,176	(46,170)	Total liabilities and net assets	517,006	563,176	(46,170)

(2) Quarterly Consolidated Statements of Income

(Million yen)

Category	Third quarter from April 1, 2007 to December 31, 2007		Third quarter from April 1, 2006 to December 31, 2006		Increase/Decrease		(Reference) Financial year from April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
I. Net sales	925,052	100	943,082	100	(18,030)	(1.9)	1,281,331	100
II. Cost of sales	857,077	92.65	867,255	91.96	(10,178)	(1.2)	1,177,619	91.91
Gross trading profit	67,975	7.35	75,827	8.04	(7,852)	(10.4)	103,711	8.09
III. Selling, general and administrative expenses	49,620	5.37	58,863	6.24	(9,243)	(15.7)	81,997	6.40
Operating income	18,354	1.98	16,964	1.80	1,390	8.2	21,713	1.69
IV. Non-operating income								
1. Interest received	1,132		1,199		(67)		1,572	
2. Dividends received	852		1,273		(421)		1,282	
3. Equity in earnings of affiliated companies	1,158		712		446		731	
4. Other	1,029		1,025		4		1,734	
Total non-operating income	4,172	0.45	4,211	0.45	(39)	(0.9)	5,320	0.42
V. Non-operating expenses								
1. Interest paid	5,289		6,138		(849)		8,278	
2. Other	1,677		949		728		1,499	
Total non-operating expenses	6,966	0.75	7,088	0.75	(122)	(1.7)	9,778	0.76
Ordinary income	15,560	1.68	14,086	1.49	1,474	10.5	17,255	1.35
VI. Extraordinary gains								
1. Gain on sales of tangible fixed assets	83		4,191		(4,108)		6,655	
2. Gain on sales of intangible fixed assets	37		---		37		---	
3. Gains on sale of investment in securities	14,357		974		13,383		1,574	
4. Gain on reversal of allowance for doubtful accounts	281		481		(200)		549	
Total extraordinary gains	14,758	1.60	5,647	0.60	9,111	161.3	8,779	0.68
VII. Extraordinary losses								
1. Loss on sale of tangible fixed assets	131		394		(263)		1,058	
2. Loss on impairment	533		102		431		2,309	
3. Loss on sale of investments in securities	155		192		(37)		225	
4. Loss on valuation of investments in securities	106		89		17		532	
5. Business restructuring expense	262		105		157		1,153	
6. Transfer to allowance for doubtful accounts for subsidiaries and affiliates	---		1,523		(1,523)		725	
7. Transfer to allowance for doubtful accounts for credits of special business	613		1,223		(610)		3,877	
8. Loss on revaluation of inventories	873		---		873		---	
9. Transfer to allowance for loss on guarantee	---		518		(518)		1,004	
10. Transfer to allowance for loss on lawsuits	20		---		20		532	
11. Provision of reserve for past directors' retirement benefits	440		---		440		---	
Total extraordinary losses	3,138	0.34	4,149	0.44	(1,011)	(24.4)	11,420	0.89
Income or loss (-) before income taxes and minority interests	27,180	2.94	15,585	1.65	11,595	74.4	14,615	1.14
Income taxes current	4,054	0.44	3,611	0.38	443	12.2	6,193	0.48
Income taxes deferred	5,301	0.57	2,298	0.25	3,003	130.7	139	0.01
Minority interests in consolidated subsidiaries	1,196	0.13	1,074	0.12	122	11.4	775	0.06
Net income/loss (-)	16,627	1.80	8,601	0.91	8,026	93.3	7,507	0.59

(3) Segment information

Industry Segment Information

Third quarter from April 1, 2007 to December 31, 2007

(Million yen)

	IT	Foodstuffs	Iron, Steel & Industrial Plants	Life Science & Energy	Others	Total	Adjustments & Eliminations	Consolidated
Net Sales								
(1) Outside customers	268,941	211,810	189,700	227,318	27,280	925,052	---	925,052
(2) Inter-segment	17	0	17	47	47	129	(129)	---
Total	268,958	211,810	189,718	227,366	27,327	925,182	(129)	925,052
Operating expenses	262,942	208,304	183,458	225,768	26,823	907,298	(600)	906,698
Operating income	6,016	3,506	6,259	1,597	503	17,883	471	18,354

Third quarter from April 1, 2006 to December 31, 2006

(Million yen)

	IT	Foodstuffs	Iron, Steel & Industrial Plants	Life Science & Energy	Others	Total	Adjustments & Eliminations	Consolidated
Net Sales								
(1) Outside customers	253,219	207,540	179,442	233,842	69,036	943,082	---	943,082
(2) Inter-segment	37	0	8	59	74	179	(179)	---
Total	253,257	207,540	179,451	233,901	69,110	943,262	(179)	943,082
Operating expenses	247,649	205,434	173,702	231,473	68,236	926,497	(378)	926,118
Operating income	5,607	2,106	5,748	2,428	874	16,765	198	16,964

A summary by industry for the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Million yen)

	IT	Foodstuffs	Iron, Steel & Industrial Plants	Life Science & Energy	Others	Total	Adjustments & Eliminations	Consolidated
Net Sales								
(1) Outside customer	357,926	274,162	247,115	308,328	93,798	1,281,331	---	1,281,331
(2) Inter-segment	27	1	9	61	88	189	(189)	---
Total	357,954	274,163	247,125	308,390	93,887	1,281,520	(189)	1,281,331
Operating expenses	350,041	272,356	239,704	305,537	92,890	1,260,531	(913)	1,259,617
Operating income	7,913	1,806	7,421	2,852	997	20,989	723	21,713

(Note) Kanematsu Textile Corporation, formerly an important consolidated subsidiary of the Company, has become an equity method affiliate in the current consolidated fiscal year, and as a consequence, the importance of the Textile segment was reduced. Hence, beginning this fiscal year, the Company has abolished the Textile segment and includes the results that would have been included in the Textile segment in the Others segment.

Net sales and operating income in the textile business included in Others for the third quarter under review were ¥1,574 million and ¥7 million, respectively. Net sales and operating income for the previous third quarter were ¥42,759 million and ¥274 million, respectively. Net sales and operating income for the previous consolidated fiscal year were ¥57,757 million and ¥486 million, respectively.

Highlights of Consolidated Results for the 3rd Quarter FY2007 (Ended December 31, 2007)

Operating income and ordinary income rose from the year-ago level.

(Operating Income: Rising 1.4 billion yen (8.2%) 18.4 billion yen
Ordinary Income: Rising 1.5 billion yen (10.5%) 15.6 billion yen)

Net income increased ¥8 billion (up 93.3%) year on year, to ¥16.6 billion, partly because of a gain on the sale of LNG rights.

Forecast net income for the full year was revised upward from ¥16 billion, the number announced on October 1, to ¥18 billion.

Operating Results	(Unit: 100 million yen)										Summary of results
	Ended March 2007		Ending March 2008			Year on year		Forecast for term ending March 2008 (revised on February 4, 2008)		Progress	
	Interim period	Up to 3Q	Interim period	3Q	Up to 3Q	Change	Change (%)				
Net Sales	6,181	9,431	6,136	3,114	9,251	(180)	(1.9%)	13,000	71.2%	Net Sales Net sales fell as Kanematsu Textile Corporation became an equity-method affiliate. Net sales rose in IT, Foods & Foodstuff, and Iron, Steel & Industrial Plant.	
Gross Trading Profit	485	758	459	220	680	(79)	(10.4%)	-	-	Gross Trading Profit Gross trading profit fell with the change of Kanematsu Textile Corporation to an equity-method affiliate.	
Ratio	7.8%	8.0%	7.5%	7.1%	7.4%	(0.7)	-	-	-		
SG&A	(364)	(589)	(334)	(162)	(496)	93	(15.7%)	-	-		
Operating Income	121	170	125	58	184	14	8.2%	235	78.1%	Operating Income Operating income rose because of the strong performance in the feed and meat & livestock businesses of Foods & Foodstuff and the solution and mobile businesses of IT.	
Non-Operating Income	20	42	32	10	42	(0)	(0.9%)	-	-		
Non-Operating Expenses	(47)	(71)	(48)	(22)	(70)	1	(1.7%)	-	-		
Ordinary Income	94	141	110	46	156	15	10.5%	190	81.9%	Ordinary Income Ordinary income rose as a result of a rise in operating income and the improvement of the financial account balance due to a decrease in gross interest-bearing debt.	
Extraordinary Gain	54	56	24	124	148	91	161.3%	-	-	Extraordinary Gain/Loss An extraordinary gain on the sale of LNG rights was posted.	
Extraordinary Loss	(27)	(41)	(30)	(1)	(31)	10	(24.4%)	-	-		
Income before Income Taxes and Minority Interests	121	156	103	169	272	116	74.4%	-	-	Net Income Net income rose significantly from the year-ago level on increases in ordinary income and extraordinary gains.	
Income Taxes and Minority Interests	(58)	(70)	(48)	(58)	(106)	(36)	51.1%	-	-		
Net Income	63	86	55	111	166	80	93.3%	180	92.4%		

Segment Information	(Unit: 100 million yen)								Summary of results of each segment
	Net Sales				Operating Income				
	Ended March 2007	Ending March 2008	Year on year		Ended March 2007	Ending March 2008	Year on year		
	Up to 3Q	Up to 3Q	Change	Change (%)	Up to 3Q	Up to 3Q	Change	Change (%)	
IT	2,533	2,690	157	6.2%	56	60	4	7.3%	IT Both sales and income rose, reflecting the continued strength of the system solution and mobile businesses.
Foods & Foodstuff	2,075	2,118	43	2.1%	21	35	14	66.5%	Foods & Foodstuff Both sales and income were up with strong sales of feed, pork, and chicken.
Iron & Steel	1,046	1,088	42	4.0%	43	44	1	2.5%	Iron, Steel & Plants In the Iron and Steel segment, both sales and income rose, reflecting the continued strength of the special steel business for the Pacific region and North America.
Industrial Plant	748	809	61	8.1%	15	19	4	27.7%	
Iron, Steel & Plant	1,794	1,897	103	5.7%	58	63	5	8.9%	In the Industrial Plants segment, both sales and income also increased as a result of the solid performance of machine tools and transportation machinery.
Energy	2,099	2,040	(59)	(2.8%)	21	14	(7)	(32.0%)	Life Science & Energy Sales fell with the contraction of the energy business of a subsidiary. Income slipped as a result of the reduction in profit-earning opportunities caused by continued high prices.
Life Science	240	234	(6)	(2.5%)	3	2	(1)	(47.7%)	
Life Science & Energy	2,339	2,274	(65)	(2.8%)	24	16	(8)	(34.2%)	Others Kanematsu Textile was included in this segment in the same period of the previous year.
Others	691	273	(418)	(60.5%)	9	5	(4)	(42.4%)	
Consolidated Adjustment	(2)	(1)	1	-	2	5	3	-	
Total	9,431	9,251	(180)	(1.9%)	170	184	14	8.2%	

(Unit: 100 million yen)						in the same period of the previous year.
Assets, Liabilities and Net Assets		3/2007	12/2007	Comparison with 3/2007		
				Change	Change (%)	
Total Assets		5,632	5,170	(462)	(8.2%)	Total Assets Total assets decreased, primarily because of the change of Kanematsu Textile to an equity-method affiliate and the sale of aircraft lease assets.
Gross Interest-bearing Debt		2,707	2,362	(345)	(12.7%)	Interest-bearing Debt Gross interest-bearing debt reduced ¥34.5 billion. Net interest-bearing debt also decreased ¥17.5 billion.
Net Interest-bearing Debt		2,049	1,874	(175)	(8.5%)	
	Shareholder's Equity	453	619	166	36.7%	Shareholder's Equity Shareholder's equity rose with an increase in net income. As a result, the equity ratio and the net DER improved to 9.2% and 3.9 times, respectively.
	Valuation and Translation Adjustments	(123)	(141)	(18)	14.2%	
	Minority Interests	158	166	8	4.8%	
Total Net Assets		488	644	156	32.0%	
Shareholder's Equity Ratio (Note 1)		5.9%	9.2%	3.4%	-	
Net Debt-equity Ratio (times) (Note 2)		6.2	3.9	(2.3)	-	

(Note 1) Shareholder's Equity Ratio = (Total Net Assets - Minority Interests)/Total Assets

(Note 2) Net D/E Ratio = Net Interest-bearing Debt/(Total Net Assets - Minority Interests)